MONTHLY MARKET REVIEW AND FORECAST
FOR MAY '19

TRUSTFUND PENSIONS LIMITED

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MACROS | EQUITIES | BONDS | MONEY MARKET | ALTERNATIVE INVESTMENTS

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Outlook

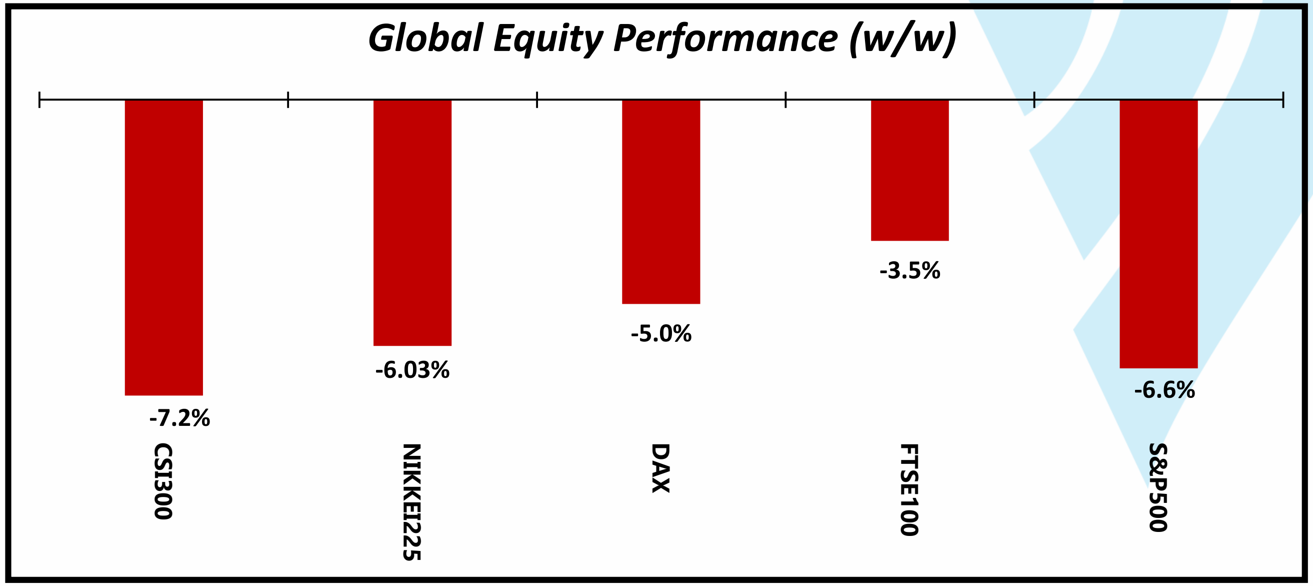
GLOBAL MARKET

The Global equities market

- To further upset the already bearish market, President Trump threatened to slap 5% tariff on goods coming from Mexico. The Fed will likely hold monetary policy rates amidst the US/Mexico tariff uncertainties.
- The escalation of the US/China trade dispute further depressed market outlook. According to Bloomberg – an escalated trade war will wipe about $600 billion from global GDP in 2021.

Thus,

- The Standard & Poor's 500 lost 6.6 percent in May. The index is trading at a price-to-earnings ratio of 18.9 on a trailing basis and 17.4 times estimated earnings of its members for the coming year.
- UK's FTSE 100 lost 3.5 percent in May. The Index is 5 percent below its 52-week high on June 14, 2018 and 13.3 percent above its low on Dec. 27, 2018.
- Japan's Nikkei 225 100 shed 6 percent in May. Its 30-day price volatility rose to 12.97 percent compared with 12.93 percent in the previous session and the average of 11.66 percent over the past month.
- China's CSI 300 dipped by 7.2% in May. The Shanghai Shenzhen CSI 300 is 9.86 percent below its 52-week high on April 22, 2019 and 26.7 percent above its low on Jan. 4, 2019.



Source: Bloomberg/TFP Research

Source: Oilprice.com/TFP Research

Source: Bloomberg/TFP Research

DOMESTIC MACRO REVIEW

Oil

Brent crude oil sheds 14% in May to close at $61.99 on the back of supply glut amidst US stockpile.

External Reserve

External Reserve increased by $365 million or 0.82% (m/m) to close at $44.79 billion in May. This can be attributed to the rally in crude oil prices spurred by the US/Iran sanction and unrest in the middle east.

FX

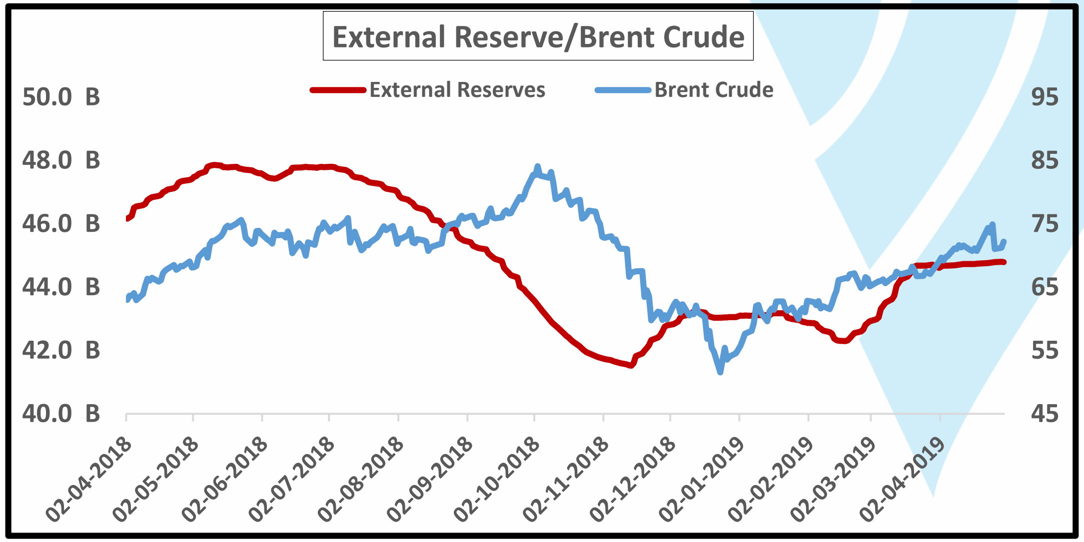
The Nigerian Naira remains relatively stable at ₦306.95 - ₦307/$ while the parallel market is traded at ₦360.46/$.

Inflation

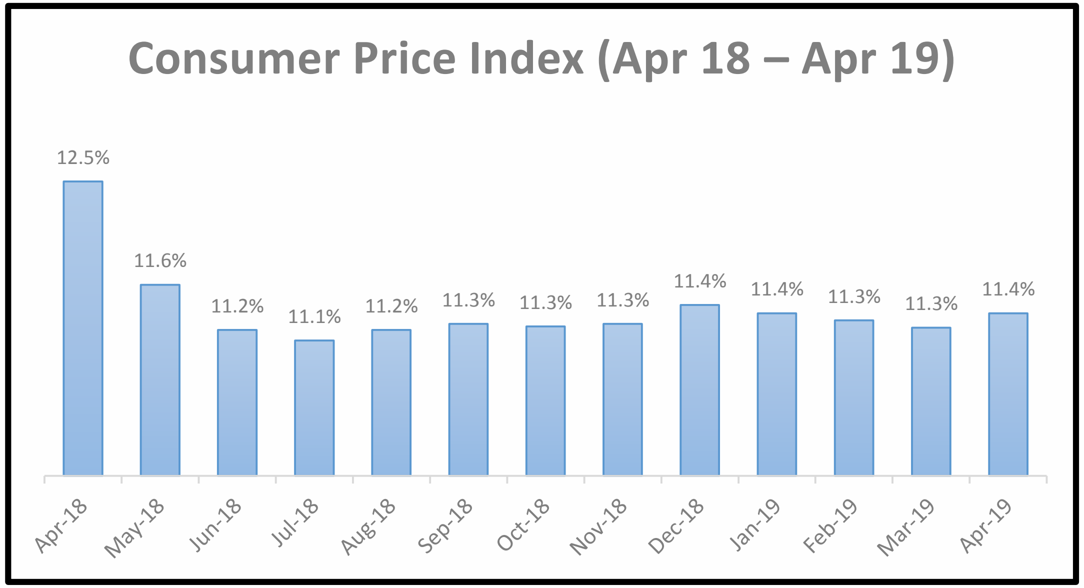
Inflation rate printed at 11.37% in April, which was 12bps higher than 11.25% recorded in March. This is attributable to rise in Food Inflation within the period.

MPR

MPR is retained at 13.5% on the back of slower global economic growth and acceleration in headline inflation.



Source: Bloomberg/TFP Research



Source: Bloomberg/TFP Research

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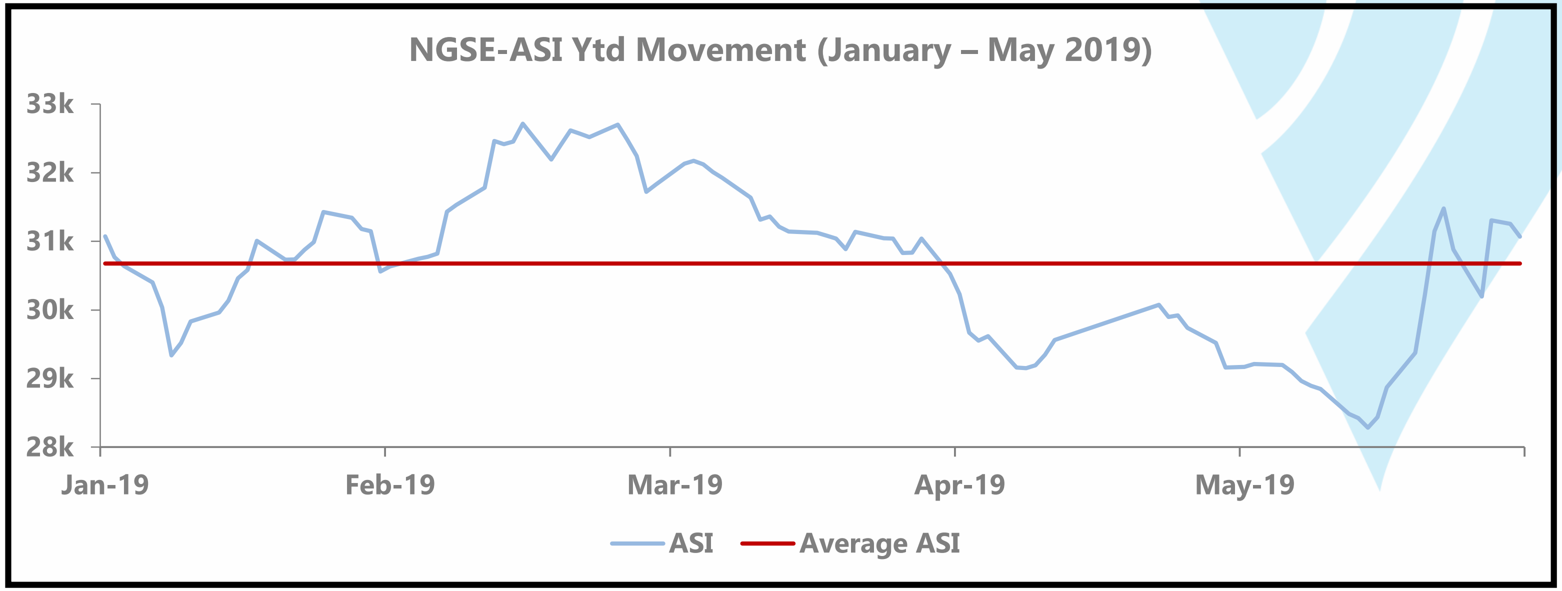
EQUITY MARKET IN MAY

Surprisingly, the Nigerian Stock Exchange Main-Board index was up by 6.55% for the month of May, largely driven by euphoria generated by the introduction of MTN Nigeria's shares into the Premium Index, with market breadth staying negative while MTNN gained maximum 10% for the period (indicating that the stock was oversold). Thus, the major stocks that contributed to the advance are; MTNN (+33.86%), DANGCEM (+10.83%), CCNN (+7.14%) and CONOIL (+5.77%) Also supporting the market is the signing of the 2019 Budget and swearing of Buhari for second term. The NSE-ASI 30-day price volatility rose to 22.15 percent compared with 22.02 percent in the previous session and the average of 17.09 percent over the past month. Looking ahead, we expect the market to respond to how quickly President Buhari is able to announce his cabinet.

Meanwhile, we strongly advise cautious trading amidst market volatility.



Source: Bloomberg/TFP Research

BANKING INDEX REMAINS THE MOST UNDER-PRICED

INDEX	P/E Ratio	Div. Yield	Month-To-Date	Year-To-Date
Banking Index	3.45%	8.76%	-5.28%	-9.37%
Oil & Gas Index	4.93%	6.20%	-6.44%	-13.12%
Industrial Goods Index	5.92%	6.81%	5.05%	-8.45%
Pension Index	7.43%	6.41%	-4.12%	-11.71%
Premium Index	7.66%	7.62%	15.78%	11.16%
All Share Index	8.15%	6.28%	6.55%	-1.15%
Consumer Goods Index	22.80%	4.11%	-5.86%	-15.74%

Source: Bloomberg/TFP Research

Fixed Income Market

Treasury Bills

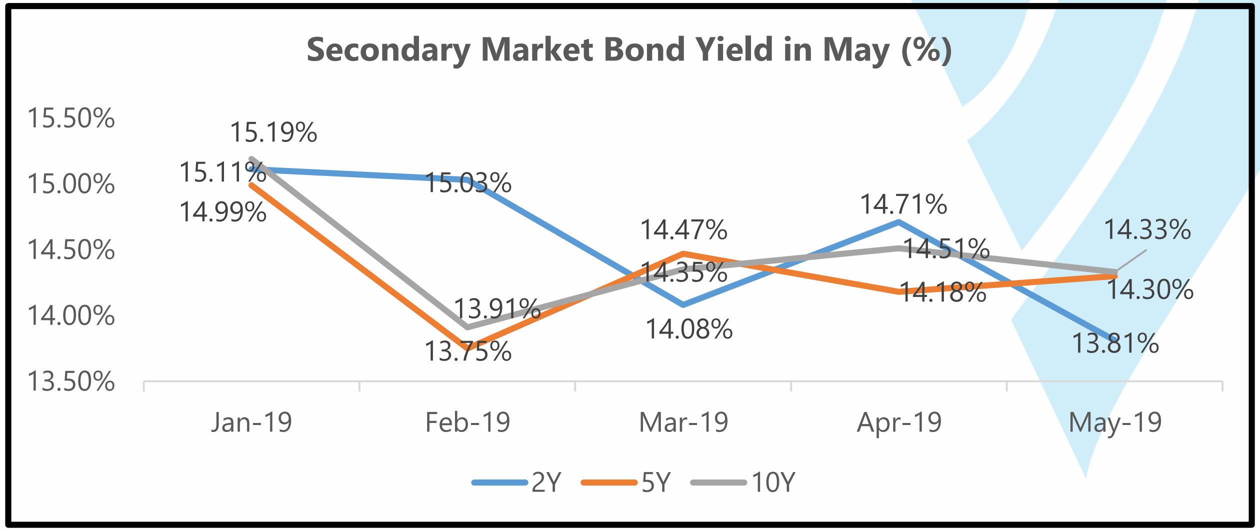
- The 90-day, 180-day and 365-day T-bills closed at 10.51%, 11.45% and 11.55% respectively. Thus, average discounted rate declined by 87bps triggered by increased demand across the curve.

Bond

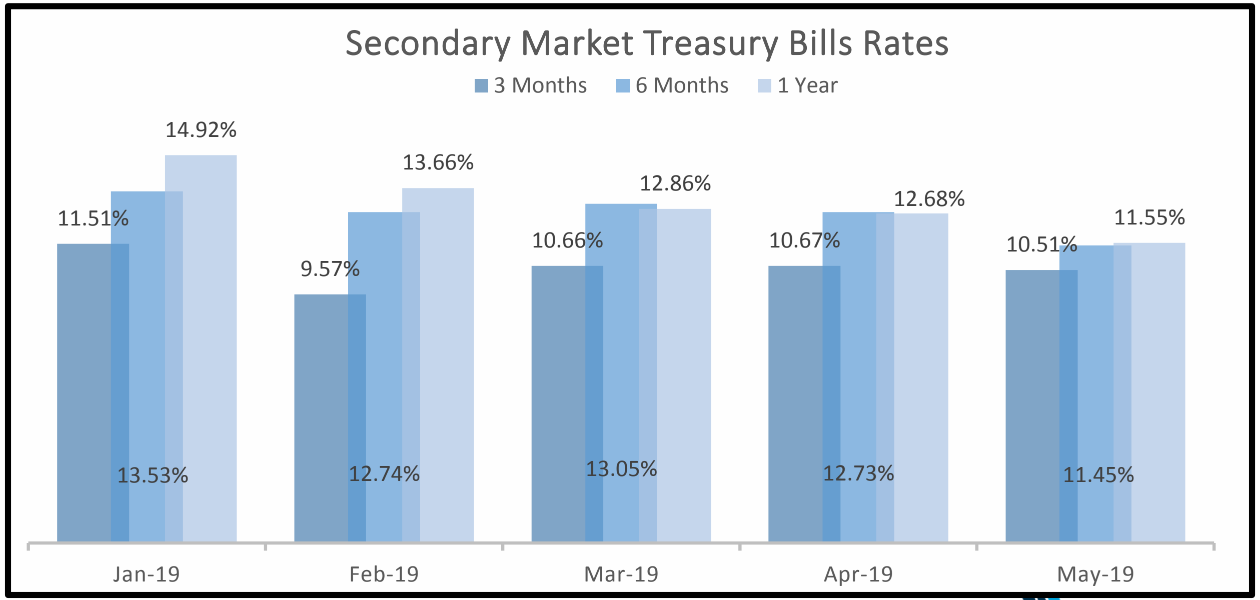
- Average bond yield also decreased by 87bps to close at 13.27%, in acquiescence with DMO's plan to lower issuance yields by 100bps, as bearish sentiment forced yields higher.

Outlook

- Considering the stance of the CBN to support the real sector and the bearish sentiment in the Equities space, we expect increased demand to moderate rates further in June.



Source: Trustfund Pensions Ltd Research; fmdqotc



Source: Trustfund Pensions Ltd Research; fmdqotc

Market Outlook and Strategy

Available data on key macroeconomic indicators for output growth in the first quarter of 2019, and forecasts for the rest of the year, suggests continued positive outcomes. Based on recent projections, the economy is expected to grow by 2.0% (IMF), 2.2% (World Bank) and 2.74% (CBN) hinged on: the enhanced flow of credit to the real sector; sustenance of a stable exchange rate and moderating inflation rate.

Equity

Despite current low prices, the outlook for Nigerian equities remains uncertain in 2019-Q2, as policy directions remain unclear. Given this bleak outlook for price recovery, our equity strategy for 2019 will be conservative and dividend focused. We will explore stocks with consistent dividend history and Profit After Tax (PAT) capacity to turn in impressive dividend yield.

Bonds

Going forward, we retain our view of further downslide in yields at the short end of the curve. This view is hinged on CBN's loose grip on naira liquidity alongside muted paper supply at the NTB leg. On the former, although FPI inflows at the IEW are receding, we see less hurt to the currency over the near-term emanating from lower maturity profile until August 2019 as well as sturdy macroeconomic fundamentals which is a cause for cheer for foreign investors.

Money Market

Rates on short term instruments resumed downtrend in February and are expected to remain at the current levels on surfeit system liquidity. While we expect yields on T-bills to trend lower from the current levels, we will be strategic and continue to deal at the best rate for liquidity and flexibility

We will be cautious on equity positions and scale down exposure to some heavyweight stocks. Proceeds will be reinvest in attractive alternatives to support NAV growth.

THANK YOU